GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1972
ANSWERED ON:26.07.2002
RATING BY INTERNATIONAL CREDIT RATING AGENCY
MAHBOOB ZAHEDI

Will the Minister of FINANCE be pleased to state:

(a) whether the international Credit Rating Organisation has embellished India as highly engrossed in debt trap;

(b) if so, whether this illustration will have an adverse effect on India`s obtaining foreign loan and investment;

(c) if so, whether according to Reserve Bank of India`s recent report the CentralGovernment`s treasury deficit has crossed 10 percent and further deteriorate in the coming days; and

(d) if so, the steps taken by the Government in this regard ?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI ANANT G. GEETE)

(a) and (b): In their Annual Report for 2001, an international credit rating agency while affirming its rating outlook on Government`s foreign currency debt as stable, stated that the outlook on Government`s domestic debt rating was negative. This was based on their concern about the status of public finances. However, it is not likely to have any impact on India`s obtaining foreign loan and investment, as there was no change in country`s rating.

(c) and (d): According to Reserve Bank of India (RBI), no statement with respect to treasury deficit crossing 10 percent has been made in the RBI`s publication.

LS US 7897 answered on 17th May 2002. (RS SQ 237 19th March 2002.)

In December 2001, an international credit rating agency while affirming its rating outlook on Government`s foreign currency debt as stable, stated that the outlook on Government`s domestic debt rating was indicated to be negative. This was based on their concern about the status of public finances.

The revised estimates of Central Government`s fiscal deficit as a percentage of GDP for the fiscal year 2001-02 is 5.7%. For the year 2002-03 this figure is projected to be 5.3% of GDP. Government has initiated several measures to improve the fiscal situation of the Centre and States.

LS US 564, 31ST AUGUST 2001.

It is not likely to have an appreciable impact on foreign direct investment flows.

In USD million

Item (net figures)	1998-999	1999-2000	2000-01	2001-02
Foreign Direct Investment	2480	2167	2342	3905
Foreign Portfolio	-68	3024	2760	2020
External assistance	820	901	427	1204
Commercial Borrowings	4362	313	4011	-1147
Short Term Commercial Borrowings	-748	377	105	-890

Source RBI Bulletin: 29th June 2002 (taken from www.rbi.org.in)

File No. 2(79)/2002-ECB
Ministry of Fiance

Department of Economic Affairs
ECB &PR Division

Dated July 23rd 2002

To,

Director (DIPP)- Shri I. Srinivas

Tel No. 3013196

Subject: Lok Sabha Un Starred Question no. 1972 for 26th July 2002 by SHRI MAHBOOB ZAHEDI regarding Ratings by Internatio
Credit Rating Agency.

Please find enclosed a copy of the printed version of the above mentioned Question.

2. It is requested that the necessary information/inputs (especially relating to part (b) of the Question) may be provided urgently in order to frame a suitable reply of the Question.

Yours faithfully,

(Gyan Bhushan)
Deputy Director (ECB &PR)